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## Maine study tries assessing NAFTA losses, gains

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Builders paid less for sheets of plywood and 2-by-4 studs because of NAFTA, but 4,400 Maine manufacturing workers lost their jobs at least partly because of the trade agreement, according to a report released this week.

The 10-year-old North American Free Trade Agreement has created winners and losers in Maine, as the state's exports to and imports from the rest of North America have soared, says the report by Planning Decisions, a public-policy consulting firm in South Portland.

Among those hardest hit were 283 wood-plant workers in Baileyville who were laid off in 1999, and 90 workers who lost their jobs in Houlton in June. Job cuts over the past decade at Great Northern Paper Co. in East Millinocket, Mead Paper in Rumford, Nexfor Fraser Papers in Madawaska and other mills have all been blamed on foreign competition.

There have been winners, too, as exports to Canada grew from \$300 million in 1988 to \$896 million in 2000, with a big jump seen in the export of fish. In addition, between 1993 and 2000, Canadian companies' investments in the United States increased, including a \$70 million potato processing plant in Aroostook County.

The subtler impacts of NAFTA in Maine are harder to identify.

"It is easy to point to a factory that closes because of lower-cost imports and say, 'Trade is bad' or to a factory that expands because of sales to a foreign market and say, 'Trade is good,' " the report says. "It is harder to find the extra cup of coffee someone buys because his morning newspaper is less expensive because its publisher bought lower-cost Canadian newsprint.

"It is harder to find the extra miniature golf game a tourist played

### ABOUT THE REPORT

The report detailing NAFTA's impact on Maine was written by Charles Lawton, an economist who works for Planning Decisions, a public policy and research firm headquartered in South Portland. The company, which also has offices in York and Hallowell, provides research and analysis, downtown revitalization consulting, community planning, strategic planning, and public-policy services throughout New England.

Lawton also writes a weekly free-lance column on the Maine economy for the Portland Press Herald/Maine Sunday Telegram.

because his family's lobster dinner was cheaper because of the added supply from Canada."

The report was commissioned by the Legislature and prepared by Planning Decisions for the Maine International Trade Center.

The report shows that:

- In 2002, 40 percent of Maine's exports went to Canada and only 1 percent went to Mexico. Products from Canada accounted for 60 percent of Maine's total imports, and only 1 percent came from Mexico.

- The state's trade with Canada grew between 1993 and 2003, with exports growing by 112 percent and imports by 111 percent. The percentage of imports doesn't include energy products because of Canada's increased production of fuel during that period. If energy is included, imports grew by 179 percent.
- Maine has benefited from Canadian investment - three major paper mills and eight lumber mills in Maine are owned by Canadian companies.
- The state has lost and gained manufacturing jobs as a result of NAFTA, with an estimated 4,400 layoffs attributed to the agreement. The overall result "has most likely been a net loss because of imports and the movement of production facilities to Canada and Mexico." The largest number of businesses hit with job cuts are in the wood products sector.

"How does it all balance out? It is impossible to say," the report says. "Gains from international trade tend to be small and widely dispersed. Hundreds of thousands of people chose to save a few cents per board foot of lumber or a few dollars on a shirt by buying foreign-made goods offered at lower prices than domestic alternatives.

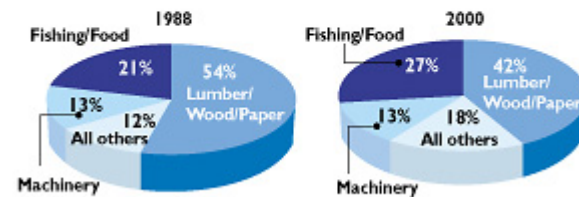
"The costs, on the other hand, tend to be very clearly located and very large for those who bear them. A lumber mill, an apparel factory, a cannery, (or) a potato chip plant closes and hundreds of workers lose their livelihoods."

The report made five recommendations:

- Establish a working group on the competitive effects of state and provincial tax and regulatory policies.
- Use the group toward realizing Gov. John Baldacci's broader vision of

#### MAINE'S CHANGING EXPORTS TO CANADA

The type of goods exported from Maine to Canada has changed substantially since the North American Free Trade Agreement went into effect in 1994. Forest products still represent the largest share, but have fallen substantially in relation to other sectors of the economy. Fishing and food have grown proportionately larger, as have miscellaneous industries.



Source: Planning Decisions

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a Northeast Atlantic Region, which would recognize and encourage the natural economy of Maine and Maritime Canada.

- Link federal trade adjustment assistance to longer-term education in the state's university and community college systems. The idea would be to expand the retraining for workers who lose their jobs because of free trade, sort of a "GI Bill" for displaced workers.
- Link federal trade adjustment aid more fully to state offerings.
- Mandate that a "State of Globalization in Maine" report be given to the Legislature each year.

The NAFTA report originated with a bill sponsored by Sen. Peggy Rotundo, D-Lewiston, after she heard about NAFTA's impact on a company from her area, Maine Welding. On Wednesday, she called the report "a good beginning" but said there were some gaps in the research.

"My concern with the report is there's information that's not there that I think is really necessary," said Rotundo. "There's a lot of discussion of exports, but I'd like to see more information on imports - what's the effect of that? I was disappointed that there wasn't more discussion on state policies. Do we have policies in place that are benefiting Canadian companies at the expense of Maine companies?"

Rotundo said that as a border state, Maine may be affected in ways that other states aren't, and that's why additional research is needed.

Rotundo said the Legislature's Business, Research and Economic Development Committee has agreed to hold a public hearing on the impact of NAFTA on Maine.

"I'm looking for people who can come forward to fill some of the gaps that I feel haven't been addressed and provide information that helps us as a Legislature understand the issue as fully as possible," said Rotundo.

Meanwhile, organized labor, a longtime critic of NAFTA, criticized some of the report's conclusions.

"The conclusion that there are winners and losers under the free trade agreement is kind of silly," said Ned McCann, spokesman for the Maine AFL-CIO, the umbrella organization for Maine unions. "The big winners are the giant corporations. The big losers are Maine workers, Maine communities, the Maine economy and state and local budgets."

McCann said the state has lost tens of thousands of manufacturing jobs in the past decade, and "the vast majority of those are trade-related.

"I don't know who the big winners are in this state," McCann said. "Obviously, people didn't talk to workers in Biddeford or Lewiston, or anybody in the shoe industry."

The Maine International Trade Center recognized that NAFTA is a hot-button issue, said Richard Coyle, president of the center. That is why the center decided to have the report done by an independent company.

"Our attempt here was to be as objective as possible," said Coyle. "The goal and mission of the Maine International Trade Center is to help grow the Maine economy through international trade."

Coyle said he thought the report was balanced and declined to comment on Rotundo's statements that there were gaps in it.

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## MAINE LAYOFFS LINKED TO NAFTA

A total of 4,372 Maine jobs were lost from 1993 to 2002 due to free trade. The losses below represent the largest cuts.

COMPANY	SECTOR	LOCATION	JOB LOST	YEAR	REASON
Tyco Electronics	electric mfg	Sanford	211	2000	Production moved to Mexico
SCI Systems	electric mfg	Augusta	200	2001	Product sourced in Mexico
Sannmina - SCI Corp.	electric mfg	Augusta	400	2003	Shift in assembly to Mexico and Canada
Maine Yankee Atomic Power	electricity	Wiscasset	512	1998	Competition from Canada
Port Clyde Canning	food	Rockland	120	1997	Production moved to Canada
Humpty Dumpty Potato Chips	food	Scarborough	144	2000	Production moved to Canada
Kimberly Clark	paper	Winslow	115	1997	Product sourced in Mexico
Tree Free Fibers L.L.C.	paper	Augusta	115	1998	Competition from Mexico
Mead Paper	paper	Rumford	157	1999	Increased imports from Canada/Mexico
Georgia Pacific	wood	Baileyville	283	1999	Product sourced in Canada
International Paper	wood	Milford	250	2001	Shift in production to Mexico
International Paper	wood	Passadumkeag	263	2001	Shift in production to Mexico
Great Northern Paper Co.	wood	East Millinocket	197	2003	Competition from Canada/Mexico

Source: Planting Decisions

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